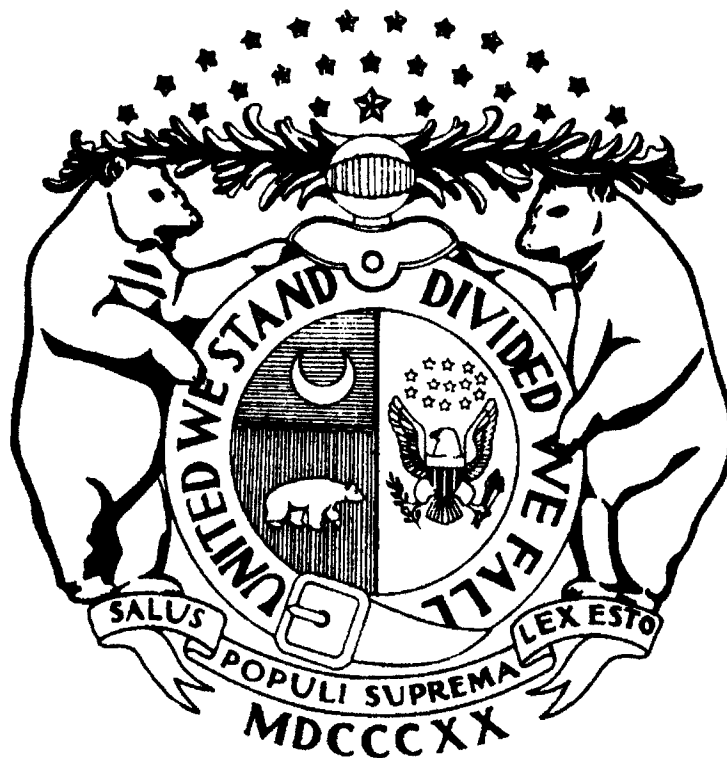


REPORT OF
ASSOCIATION FINANCIAL EXAMINATION

**CAMERON MUTUAL INSURANCE
COMPANY**

AS OF
DECEMBER 31, 2004



STATE OF MISSOURI
DEPARTMENT OF INSURANCE
JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

TABLE OF CONTENTS.....	i
SCOPE OF EXAMINATION	2
PERIOD COVERED	2
PROCEDURES	2
COMMENTS-PREVIOUS EXAMINATION.....	3
HISTORY	4
GENERAL	4
CAPITAL STOCK.....	5
DIVIDENDS	5
MANAGEMENT	5
CONFLICT OF INTEREST	7
CORPORATE RECORDS	7
ACQUISITIONS, MERGERS AND MAJOR CORPORATE EVENTS	7
AFFILIATED COMPANIES	8
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES	8
ORGANIZATIONAL CHART	9
INTERCOMPANY TRANSACTIONS	9
FIDELITY BOND AND OTHER INSURANCE.....	13
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS	13
STATUTORY DEPOSITS	14
DEPOSITS WITH THE STATE OF MISSOURI	14
DEPOSITS WITH OTHER STATES	14
INSURANCE PRODUCTS AND RELATED PRACTICES.....	15
TERRITORY AND PLAN OF OPERATIONS	15

POLICY FORMS & UNDERWRITING	15
ADVERTISING & SALES MATERIAL	15
TREATMENT OF POLICYHOLDERS	15
REINSURANCE	16
GENERAL	16
ASSUMED.....	16
CEDED	17
ACCOUNTS AND RECORDS.....	20
GENERAL	20
FINANCIAL STATEMENTS	21
ASSETS	22
LIABILITIES, SURPLUS AND OTHER FUNDS	23
STATEMENT OF INCOME.....	24
CAPITAL AND SURPLUS ACCOUNT	25
NOTES TO THE FINANCIAL STATEMENTS	25
EXAMINATION CHANGES	25
GENERAL COMMENTS AND/OR RECOMMENDATIONS.....	25
SUBSEQUENT EVENTS	26
ACKNOWLEDGMENT	27
VERIFICATION	27
SUPERVISION	27

Cameron, Missouri
July 15, 2005

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman of Financial Condition (EX4) Subcommittee
Southeastern Zone Secretary

Honorable Jorge Gomez, Commissioner
Wisconsin Department of Insurance
Midwestern Zone Secretary

Honorable W. Dale Finke, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Cameron Mutual Insurance Company

hereinafter referred to as such, as the "Company," or as "Cameron Mutual." Its administrative office is located at 214 McElwain Drive, Cameron, Missouri, 64429, telephone number (816) 632-6511. This examination began on March 7, 2005, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Cameron Mutual Insurance Company was made as of December 31, 2001, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC), with no other zone participating.

The current full scope association financial examination covered the period from January 1, 2002, through December 31, 2004, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the NAIC, with no other zone participating.

This examination was conducted concurrently with the examination of the Company's subsidiary, Cameron National Insurance Company (Cameron National).

This examination also included the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance and statutes of the State of Missouri prevailed.

The examiners reviewed the work of the Company's independent auditor, Clifton Gunderson LLP, of Des Moines, Iowa, for its audit covering the period from January 1, 2003, through December 31, 2003. Due to differences in timing (note that the fieldwork

phase of this examination was already in progress before the Company's independent auditors began the 2004 audit), only minimal use was made of the work of the independent auditors.

Comments-Previous Examination

The comments, recommendations, and notes of the previous financial examination report dated as of December 31, 2001, are listed below with the subsequent response or action taken by the Company in regard to such comments, recommendations, and notes:

Conflict of Interest

Comment: The Company was directed to develop and implement adequate procedures to ensure that all potential conflicts are disclosed by all directors, officers and key employees on an annual basis. In addition, the Company's board of directors, officers and key employees were advised to ensure that their rights and powers are exercised in a manner that is not inconsistent with or prohibited by the provisions of the laws of the state of Missouri or the purpose for which the Company is organized. The Company was also advised to elect a greater number of directors that are not licensed agents and are independent of the business transactions of the Company.

Company's Response: The Company responded that it has revised its Conflict of Interest Disclosure Statement. The Company also reported that it has established a Corporate Governance Committee and that several of its board members have participated in corporate governance seminar/training sessions to increase corporate governance awareness problems. Finally, the Company reported that those retiring from the board of directors due to mandatory age requirements would be replaced with individuals with strong professional backgrounds in accounting or banking.

Current Findings: The Company has revised and updated its Conflict of Interest Disclosure Statement, which was reviewed during this examination. The examination also noted that a new member, who is a professional accountant, was elected to the board in 2005.

Intercompany Transactions

Comment: The Company was directed to ensure that all intercompany agreements were properly filed in accordance with Section 382.195 RSMo (Transactions within a holding

company system). The Company was also advised to refrain operating under any intercompany agreements without first obtaining prior approval of the MDI.

Company's Response: The Company responded that all intercompany agreements have been filed with the MDI.

Current Findings: All affiliated agreements under which the Company currently operates have received proper approval from the Missouri Department of Insurance.

Reinsurance

Comment: The Company was directed to amend the Insolvency Clause in the automobile liability quota share and aggregate stop loss reinsurance agreements with PMA Re Management Company to comply with the applicable Missouri law.

Company's Response: The Company responded that the insolvency clause in the agreements were updated as recommended and were subsequently approved by the MDI.

Current Findings: No insolvency clause problems were noted in the agreements reviewed during the current examination.

HISTORY

General

Cameron Mutual Insurance Company was incorporated on April 26, 1892, as The Farmers Mutual Tornado and Windstorm Association of the Third Congressional District of Missouri and operated under the provisions of Chapter 380 RSMo (County, Town and Farmers' Mutual Property Insurance Companies), as a county mutual insurance company.

The present name of the Company was adopted on February 22, 1968. Effective March 22, 1984, Cameron Mutual was converted to a general mutual organization and currently operates under Chapter 379 RSMo (Insurance Other Than Life).

Capital Stock

As a mutual insurance company, Cameron Mutual Insurance Company's ownership is held solely by its policyholders. Consequently, there are no authorized capital shares issued or outstanding.

Dividends

No dividends were paid to the policyholders during the period under examination.

Management

As of December 31, 2004, nine directors were serving on the board as follows:

<u>Name</u>	<u>Address</u>	<u>Occupation and Business Affiliation</u>
Gary W. Black	Trenton, MO	Secretary Grundy County Farmers Mutual
Gayle W. Cobb	Clever, MO	Agent Fortner Insurance Services, Inc.
Darwin G. Copeman	Cameron, MO	President Cameron Mutual Insurance Company
Lewis R. Crist	Wildwood, MO	Consultant Crist & Associates
Donald D. Johnson	Mound City, MO	Agent, Secretary and Treasurer Holt County Farmers Mutual
Doyle W. Nimmo	Buffalo, MO	President and Agent Nimmo Insurance Agency
Charles R. Ocker	Cameron, MO	Owner and Agent Ocker Insurance Agency
William R. Settles	Dexter, MO	President County Wide Insurance & Real Estate, Inc.
Danny R. Tanzey	Paris, MO	Retired Executive Officer Monroe County Farmers Mutual

Section 26 of the Company's Bylaws provide that only the board of directors may appoint an executive committee and other advisory committees for the purpose of addressing special concerns and affairs of the Company. The established committees and the members elected and serving as of December 31, 2004, were as follows:

Executive Committee

Darwin Copeman, Chairman
Gary Black
Lewis Crist
Doyle Nimmo

Governance Committee

Gayle Cobb, Chairman
Donald Johnson
William Settles
Darwin Copeman

Compensation Committee

Charles Ocker, Chairman
J. Wayne Gaines
Danny Tanzey
Darwin Copeman

Audit Committee

Lewis Crist, Chairman
Gayle Cobb
Doyle Nimmo
Darwin Copeman

Pricing Committee

William Settles, Chairman
Charles Ocker
Darwin Copeman

The officers elected and serving as of December 31, 2004, were as follows:

Name

Office

Lewis R. Crist	Chairman of the Board of Directors
Darwin G. Copeman	President and Chief Executive Officer
Kent Osborn	Treasurer
Richard J. Kline	Executive Vice President
Janet K. Stonum	Secretary
Larry L. McCord	Assistant Secretary
Pat H. Eivins	Vice President-Information Systems
Michael J. Godby	Vice President-Marketing Services
Richard G. Hatten	Vice President-Underwriting
C. Scotty Massey	Vice President-Accounting

Conflict of Interest

The Company requires all directors and officers to complete conflict of interest disclosure statements annually. The statements were reviewed for the period under examination. No material conflicts were indicated.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the examination period. Neither the Articles nor the Bylaws were amended or restated during the period under examination. The minutes associated with the annual meetings of policyholders, board of directors and executive committee meetings were reviewed and appear to properly reflect and approve the corporate transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

Effective December 28, 2004, the ownership of Cameron Life Agency, Inc. (the Agency) was transferred to Cameron Mutual. Prior to the occurrence of this event, the Agency was a wholly owned subsidiary of Cameron Life Insurance Company (Cameron Life), which in turn was wholly owned by Cameron Mutual. Effective January 3, 2005, Cameron Life was sold to Unified Life Insurance Company, a Texas corporation, for an initial settlement of \$2,365,000. [See the "Intercompany Transactions" section of this report for more details].

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

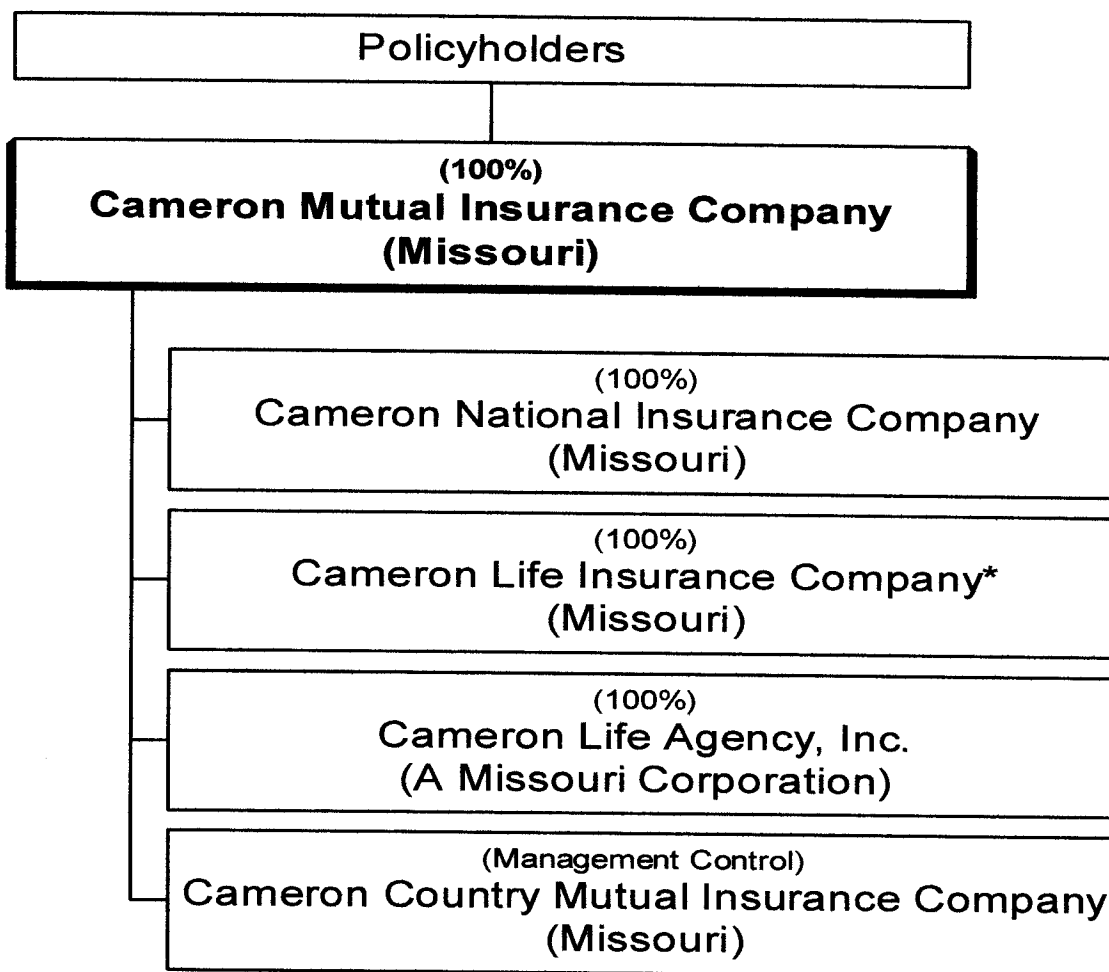
Cameron Mutual Insurance Company (Cameron Mutual) is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). Cameron Mutual is the ultimate controlling entity within the holding company system. As a mutual organization, Cameron Mutual is one hundred percent owned by its policyholders.

At December 31, 2004, Cameron Mutual wholly owned Cameron National Insurance Company, a Missouri property and casualty insurance company, Cameron Life Insurance Company (Cameron Life), a Missouri life insurance Company, and Cameron Life Agency, Inc. (Cameron Agency), a Missouri corporation. In addition, by virtue of common management and a Contract for Management Services, Cameron Mutual has effective control over Cameron Country Mutual Insurance Company (Cameron Country), a Missouri mutual insurance Company.

During the period under examination, Insurance Holding Company Registration Statements were filed by the Company on its behalf and on the behalf of all members of its holding company system.

Organizational Chart

The following organizational chart depicts the ownership and holding company structure of Cameron Mutual, as of December 31, 2004:



*Sold to Unified Life Insurance Company, a Texas corporation effective January 3, 2005.

Intercompany Transactions

Cameron Mutual Insurance Company has the following agreements with its affiliated companies. Note that the Company had various related party agreements with Cameron Life during the period under examination. However, these agreements are not

listed here due to the sale of Cameron Life to an unrelated party effective January 3, 2005.

- 1. Type:** Contract for Lease of Office Space
Parties: Cameron Mutual and Cameron Country
Effective: July 1, 2002
Terms: Under the terms of the contract, Cameron Mutual will lease 1,200 square feet of office space at its home office location to Cameron Country at a monthly rental charge of \$1,050.
- 2. Type:** Contract for Services
Parties: Cameron Mutual and Cameron Country
Effective: January 1, 2003
Terms: Under the terms of the agreement, Cameron Mutual will provide Cameron Country with equipment, supplies and services to support the business operation of Cameron Country. Services to be provided include personnel staffing and support, electronic data processing, accounting, claims adjusting, consulting and communication services. Services are to be provided on a cost basis, with monthly invoicing and settlements.
- 3. Type:** Contract for Management Services
Parties: Cameron Mutual and Cameron Country
Effective: January 1, 2003
Terms: Under the terms of the agreement, Cameron Mutual agrees to provide a qualified individual to manage the business operations of Cameron Country. Cameron Country will be charged 40% of the salary and benefits of the manager based upon time spent in day to day supervision and management of Cameron Country. Cameron Mutual will invoice Cameron Country on a monthly basis, with settlement to occur within thirty business days from receipt of the invoice.
- 4. Type:** Vehicle Lease Agreement
Parties: Cameron Mutual and Cameron Country
Effective: April 1, 2003
Terms: Under the terms of the agreement, Cameron Mutual agrees to lease

an automobile to Cameron Country at a monthly rate of approximately \$496.

5. **Type:** Contract for Services
 Parties: Cameron Mutual and Cameron National
 Effective: July 1, 2002
 Terms: Under the terms of the agreement, Cameron Mutual agrees to provide insurance, consulting, communication and miscellaneous services as well as business offices and miscellaneous supplies to Cameron National on a cost basis. Invoicing will be on a monthly or quarterly basis, depending on the type of charge, with settlement to be made within thirty days of receipt of invoice.

6. **Type:** Tax Allocation Agreement
 Parties: Cameron Mutual and Cameron National
 Effective: December 31, 2002
 Terms: Under the terms of the agreement, Cameron Mutual agrees to file annual U.S. consolidated tax returns on behalf of itself and Cameron National. Cameron Mutual and Cameron National agree to allocate their consolidated tax liability to each member in the ratio that each member's separate return tax liability for the year bears to the sum of the separate return tax liabilities of the members. A loss member is to be reimbursed by the profit member that utilizes such loss.

Effective January 3, 2005, Cameron Mutual entered into a Stock Purchase and Merger Agreement with Unified Life Insurance Company (Unified Life), a Texas life insurance company. Under the terms of the agreement, Unified Life purchased all 655,000 issued and outstanding \$1 par value shares of Cameron Life Insurance Company's common stock, for an initial settlement of \$2,365,000, plus additional settlements and adjustments scheduled to occur subsequently thereafter.

Also, per the terms of the agreement, Cameron Life was merged with and into Unified Life, with Unified Life being the surviving entity. The closing date of the transaction per the agreement was January 3, 2005. As a result of the impending sale and

merger of Cameron Life, all affiliated agreements between Cameron Mutual and Cameron Life were terminated effective December 31, 2004.

The Stock Purchase and Merger Agreement also provided that ownership of Cameron Life Agency, Inc., a wholly owned subsidiary of Cameron Life, be transferred to Cameron Mutual prior to the closing date of the transaction. All outstanding shares of Cameron Life Agency, Inc. common stock were transferred to Cameron Mutual effective December 28, 2004.

The amounts (paid) to and received from subsidiaries and affiliates during the period under examination under the above agreements were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Combined Payments for Service Contracts- Cameron Life (a)	\$ 177,152	\$ 229,472	\$ 176,691
Employee Staffing Agreement – Cameron Country (b)	0	0	312,650
Contract for Services & Physical Assets- Cameron Country (b)	0	0	316,571
Contract for Lease of Office Space – Cameron Country	12,600	12,600	12,000
Contract for Services– Cameron Country	516,841	578,846	0
Contract for Management Services – Cameron Country	31,723	31,222	0
Vehicle Lease Agreement – Cameron Country	5,958	6,477	0
Contract for Services – Cameron National	162,622	121,457	62,936
Tax Allocation Agreement – Cameron National	<u>192,399</u>	<u>59,659</u>	<u>76,529</u>
Net Amount (Paid)/Received	<u>\$ 1,099,295</u>	<u>\$ 1,039,733</u>	<u>\$ 957,377</u>

(a) *Effective with the sale of Cameron Life on January 3, 2005, all agreements between Cameron Mutual and Cameron Life were terminated.*

- (b) *The Employee Staffing Agreement and Contract for Services and Physical Assets, both with Cameron Country, were terminated and replaced during the examination period with the Contract for Services, the Contract for Management Services and the Vehicle Lease Agreement.*

The Company assumes business from Cameron National and Cameron Country under excess of loss reinsurance agreements with the affiliates. The terms of the agreements are described in the Reinsurance section of this report.

FIDELITY BOND AND OTHER INSURANCE

Cameron Mutual Insurance Company and other affiliated entities are named insureds on a financial institution bond with a liability limit of \$1,000,000 and a \$10,000 deductible. This level of coverage complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

The Company is also a name insured under a number of other insurance policies, which include, but are not limited to, property coverage, directors and officers liability, general liability, workers compensation and umbrella liability coverage.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Cameron Mutual Insurance Company provides a variety of standard benefits to its employees, which include, but are not limited to, hospitalization and disability coverages, dental insurance and term life insurance.

The Company has a defined contribution pension plan uniquely referred to as "Cameron Mutual Insurance Company Retirement 401(k) Plan" (the Plan) that require a

mandatory contribution of 5% of each eligible employees' salary as defined by the Plan. In addition, the Plan allows eligible employees to defer up to 90% of earnings and the Company may match 25% of each participant's deferral up to 10% of compensation as defined by the Plan.

The Company also has a performance bonus plan for its employees, including officers. The amount of the bonus, computed annually, is based on the attainment of predetermined criteria established by the board of directors of the Company.

The Company appears to have made adequate provision in its financial statements with regards to its obligations for these benefits.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2004, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 379.098, RSMo (Securities Deposit). The Company's required deposit for Missouri is \$1,200,000. The funds on deposit as of December 31, 2004, were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Note Strips	\$1,600,000	\$1,282,209	\$1,273,949

Deposits with Other States

The Company had no funds on deposit with other states.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

Cameron Mutual Insurance Company is licensed as a multiple-line property and casualty company by the Missouri Department of Insurance under Chapter 379 RSMo (Insurance Other Than Life), to write certain lines of property and casualty insurance. As of December 31, 2004, the Company was licensed in the states of Arkansas, Iowa and Missouri.

The Company's largest line of business with respect to direct written premium is the automobile line of business, which includes private passenger and commercial automobile. The Company also writes the following lines of business: fire and extended coverage, homeowners, farmowners, inland marine, earthquake and commercial multiple peril.

The Company's products are marketed by independent agents through various independent agencies. As of December 31, 2004, the Company had entered into agreements with a large individual agency force represented by approximately 320 independent agencies.

Policy Forms & Underwriting

Advertising & Sales Material

Treatment of Policyholders

The Missouri Department of Insurance has a market conduct staff, which performs a review of these issues and generates a separate market conduct report. The most recent Missouri Department of Insurance Market Conduct examination report covered the period from January 1, 2001 through December 31, 2001. This report noted

some exceptions to applicable Missouri laws and regulations in the areas of claims handling procedures, agency licensing practices, ratings and underwriting procedures.

By the Order of the Director of Missouri Department of Insurance of June 9, 2003, the Company was assessed a fine and ordered to forfeit the sum of \$10,000 (ten thousand dollars) to cure the violations. As of the date of this financial examination report, there is no indication that additional financial judgment could be imposed on the Company as a result of these violations.

REINSURANCE

General

The Company's reinsurance and premium activity for the years ending December 31, 2004, 2003 and 2002, are detailed in the table below.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Direct Business	\$62,865,746	\$60,768,512	\$55,957,792
Reinsurance Assumed:			
Affiliates	499,918	386,913	408,944
Non-affiliates	0	5,881	0
Reinsurance Ceded:			
Affiliates	(0)	(0)	(0)
Non-affiliates	<u>(11,863,956)</u>	<u>(16,721,227)</u>	<u>(13,959,903)</u>
Net Premiums Written	<u>\$51,501,708</u>	<u>\$44,440,079</u>	<u>\$42,406,833</u>

Assumed

Effective January 1, 2004, the Company entered into a multiple line aggregate excess of loss agreement with its affiliate, Cameron Country Mutual Insurance Company (Cameron Country). Under the terms of the agreement, Cameron Mutual assumes 100%

of losses in excess of Cameron Country's net loss ratio of 71%, limited to 29% of the subject net earned premium. The maximum limits for risks ceded under the contract are \$40,000 per property risk and \$100,000 per casualty occurrence. Cameron Country maintains coverage with unaffiliated reinsurers for amounts in excess of these limits. The agreement subsequently expired effective January 1, 2005, and was replaced with a new agreement effective January 1, 2005, that contained similar terms and provisions.

Effective January 1, 2004, the Company also entered into a personal automobile liability excess of loss contract with its subsidiary, Cameron National Insurance Company (Cameron National), which writes only personal automobile lines of business. Under the agreement, Cameron Mutual assumes \$125,000 in excess of \$75,000 per accident. This agreement expired effective January 1, 2005. On January 1, 2005, the Company entered into a personal automobile quota share reinsurance contract with Cameron National. Under the terms of this new agreement, the Company will assume 100% of Cameron National's net liability and pay Cameron National a 26.5% ceding commission on premiums ceded.

Ceded

The Company's ceded reinsurance program in place during the examination period was designed and administered by Benfield, Inc., a nationally known reinsurance intermediary.

Effective January 1, 2004, the Company entered into an automobile liability quota share reinsurance contract with Imagine International Reinsurance Limited (Imagine Re). Under the original terms of the agreement, Imagine Re assumed a 55% quota share of the covered risks. On July 1, 2004, in accordance with the provisions of the agreement, the

ceding percentage was decreased to 35% via an addendum to the agreement. The reinsurers loss is limited to a 95% loss ratio. The Company receives a ceding commission ranging from 20% to 25%, based on loss experience under the contract. The contract terminated effective January 1, 2005, and was subsequently commuted effective March 31, 2005.

Effective January 1, 2004, the Company entered into a multiple line excess of loss reinsurance contract. The contract covers all property, general liability, automobile liability and professional liability policies issued by Cameron Mutual and Cameron National and is underwritten 70% by GE Reinsurance Corporation (GE Re) and 30% by Platinum Underwriters Reinsurance, Inc. (Platinum Re). Under the first layer of coverage provided by the agreement, there is a \$200,000 retention and a reinsurer limit of \$300,000 per property risk or casualty occurrence, with a property occurrence limit of \$900,000. Under the second layer, the retention is \$500,000, and the reinsurer limit is \$500,000 per property risk or casualty occurrence, with a property occurrence limit of \$1,000,000. Under the third layer, the retention is \$1,000,000, and the reinsurer limit is \$1,000,000 per property risk or casualty occurrence, with a property occurrence limit of \$2,000,000. The contract terminated effective January 1, 2005, and was replaced by a new reinsurance contract effective January 1, 2005, that contained similar terms and provisions. The most significant change in the new contract was an increase in the first layer retention from \$200,000 to \$225,000.

The Company also entered into a casualty clash excess of loss contract effective January 1, 2004, which works as a fourth layer to the aforementioned multiple line excess of loss contract, but for casualty risks only. The agreement covers Cameron Mutual,

Cameron National and Cameron Country, and is underwritten by GE Re and Platinum Re, each participating at 50%. The reinsurers are liable for \$2,000,000 per occurrence in excess of a \$2,000,000 retention, with a limit of \$6,000,000 for the term of the agreement. The contract requires the reinsureds to purchase inuring facultative insurance to limit any individual casualty policy loss to \$1,000,000. The agreement terminated effective January 1, 2005, and was replaced by a new reinsurance agreement effective January 1, 2005, that contained similar terms and provisions.

Effective January 1, 2004, Cameron Mutual, Cameron National and Cameron Country entered into a property catastrophe excess of loss reinsurance contract underwritten by sixteen participating reinsurers. The contract covers all property business written by the ceding companies, and consists of three layers. Under the first layer of coverage, there is a \$2,000,000 retention and reinsurer limits of 95% of \$1,500,000 per occurrence and 95% of \$3,000,000 in the aggregate. The second layer includes a \$3,500,000 retention and reinsurer limits of 95% of \$6,500,000 per occurrence and 95% of \$13,000,000 in the aggregate. The third layer includes a retention of \$10,000,000 and reinsurer limits of 95% of \$15,000,000 per occurrence and 95% of \$30,000,000 in the aggregate. The agreement terminated effectively January 1, 2005, and was replaced by a new reinsurance agreement effective January 1, 2005, that contained similar terms and provisions. The most significant change in the new contract was an increase in the first layer retention from \$2,000,000 to \$2,250,000.

Cameron Mutual, Cameron National and Cameron Country also entered into a property catastrophe excess of loss earthquake and wind reinsurance contract effective January 1, 2004. The agreement is essentially a fourth layer to the aforementioned

property catastrophe contract, but only covers the perils of wind and earthquake. The agreement is underwritten by Renaissance Reinsurance Ltd, with a 25% participation, and a group of six Lloyd's Syndicates with a collective participation of 75%. Under the terms of the contract, the reinsurers are liable for a limit of 95% of \$15,000,000 per occurrence in excess of a \$25,000,000 retention. The reinsurers' losses are limited to 95% of \$30,000,000 for the term of the contract. The agreement terminated effectively January 1, 2005, and was replaced by a new reinsurance agreement effective January 1, 2005, that contained similar terms and provisions.

The Company has a policy to reinsure risks in excess of \$1,000,000 with facultative contracts. The Company utilizes American Reinsurance Company, Everest Reinsurance Company and General Reinsurance Corporation for facultative reinsurance, and places the contracts through bidding processes.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

General

Financial statements of the Company for the years ending December 31, 2004, 2003, and 2002 were audited by the CPA firm Clifton Gunderson LLP of Des Moines, Iowa. Loss reserves of the Company were reviewed and certified by Alan J. Hapke, FCAS, MAAA, of Meadowbrook Insurance Group, Inc. for all years under examination.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2004. Any examination adjustments to the amount reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements." (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and/or noted in the workpapers for each individual Annual Statement item.

Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$46,277,240		\$46,277,240
Common Stocks	8,436,873		8,436,873
Real Estate:			
Properties Occupied by the Company	720,593		720,593
Cash and Short-term Investments	3,099,950		3,099,950
Investment Income Due and Accrued	644,408		644,408
Premiums and Considerations:			
Deferred Premiums, Agents' Balances in Course of Collection	10,434,909		10,434,909
Accrued Retrospective Premium	162,830		162,830
Amounts Recoverable from Reinsurers	1,019,087		1,019,087
Net Deferred Tax Asset	1,901,202		1,901,202
Guaranty Funds Receivable or on Deposit	234,000	\$210,000	24,000
Electronic Data Processing Equipment	689,397	194,494	494,903
Furniture and Equipment	13,334	13,334	0
Receivables from Parent, Subsidiaries and Affiliates	154,928		154,928
Aggregate Write-Ins for other than Invested Assets:			
Automobiles	<u>225,021</u>	<u>0</u>	<u>225,021</u>
TOTAL ASSETS	<u>\$74,013,772</u>	<u>\$417,828</u>	<u>\$73,595,944</u>

Liabilities, Surplus and Other Funds

Losses	\$12,383,739
Loss Adjustment Expenses	1,852,544
Commissions Payable and Contingent Commissions	1,798,543
Other Expenses	97,370
Taxes, Licenses and Fees	359,685
Current Federal Income Taxes	662,942
Unearned Premiums	24,791,135
Advance Premiums	812,026
Ceded Reinsurance Premiums Payable	1,089,858
Amounts Withheld or Retained by Company for Account of Others	25,267
Drafts Outstanding	1,958,770
Aggregate Write-ins for Liabilities	<u>808,717</u>
Total Liabilities	\$46,640,596
Special Surplus Fund	1,600,000
Unassigned Funds (Surplus)	<u>25,355,348</u>
Surplus as Regards Policyholders	<u>\$26,955,348</u>
Total Liabilities and Surplus	<u>\$73,595,944</u>

Statement of Income

Underwriting Income

Premiums Earned	\$49,759,765
Losses Incurred	31,164,820
Loss Expenses Incurred	3,760,675
Other Underwriting Expenses Incurred	<u>12,514,644</u>
Total Underwriting Deductions	<u>\$47,440,139</u>
Net Underwriting Gain/(Loss)	\$2,319,626

Investment Income

Net Investment Income Earned	2,432,816
Net Realized Capital Gains or (Losses)	<u>8,619</u>
Net Investment Gain or (Loss)	\$2,441,435

Other Income

Net Gain (Loss) from Agents' or Premium Balances Charged Off	(75,514)
Finance and Service Charges not Included in Premiums	1,781,141
Miscellaneous Other Income	<u>(12,193)</u>
Total Other Income	<u>\$1,693,434</u>
Net income before dividends to policyholders and federal income taxes	\$6,454,495
Federal and foreign income taxes incurred	<u>2,347,875</u>
Net Income	<u>\$4,106,620</u>

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2003	\$22,407,387
Net Income	4,106,620
Change in Net Unrealized Capital Gains or (Losses)	328,436
Change in Net Deferred Income Tax	210,292
Change in Non-admitted Assets	(97,388)
Examination Change	<u>0</u>
Net Change in Surplus as Regards Policyholders for the Year	<u>\$4,547,960</u>
Surplus as Regards Policyholders, December 31, 2004	<u>\$26,955,347</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

Effective January 3, 2005, Cameron Mutual entered into a Stock Purchase and Merger Agreement with Unified Life Insurance Company (Unified Life), a Texas life insurance company. Under the terms of the agreement, Unified Life purchased all 655,000 issued and outstanding \$1 par value shares of Cameron Life Insurance Company's common stock, for an initial settlement of \$2,365,000, plus additional settlements and adjustments scheduled to occur subsequently thereafter. Following the occurrence of this transaction, Cameron Life ceased to be a member of the Company's holding company system.

Effective January 1, 2005, Cameron Mutual entered into a 100% quota share reinsurance agreement with Cameron National, its wholly owned subsidiary. The terms of the agreement, which has received the approval of the MDI, calls for Cameron National to cede 100% of its net liability under policies, contracts and binders of insurance in force at the effective date of the contract. The agreement also calls for Cameron Mutual to pay Cameron National a 26.5% ceding commission on premiums ceded.

ACKNOWLEDGMENT


The assistance and cooperation extended by the officers and the employees of Cameron Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, CFE, Shannon Schmoeger, CFE, and Leslie Nehring, AFE, examiners for the Missouri Department of Insurance, participated in this examination. Taylor - Walker & Associates, Incorporated of Midvale, Utah performed the actuarial portion of this examination.

VERIFICATION

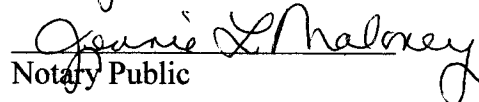
State of Missouri)
)
County of)

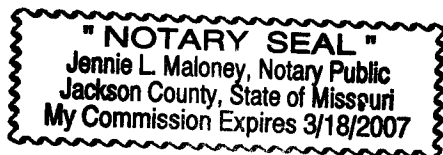
RECEIVED
MO INS DEPT
AUG 23 2005

I, Levi N. Nwasoria, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.


Levi N. Nwasoria, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance

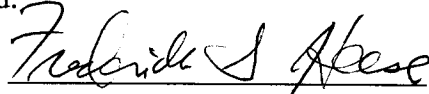
Sworn to and subscribed before me this 18 day of August, 2005.

My commission expires: 3-18-2007 
Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

A handwritten signature in cursive script, appearing to read "Frederick G. Heese", written over a horizontal line.

Frederick G. Heese, CFE, CPA

Audit Manager

Missouri Department of Insurance